

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SMS-02 AID-05 OMB-01 TRSE-00  
CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00  
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AMEMBASSY ISLAMABAD  
AMEMBASSY KABUL  
AMCONSUL KARACHI  
AMEMBASSY KATHMANDU  
AMCONSUL LAHORE  
AMEMBASSY NEW DELHI  
AMEMBASSY TEHRAN

C O N F I D E N T I A L MOSCOW 18401

CINCPAC FOR POLAD

E.O. 11652: XGDS-1  
TAGS: UR, PK  
SUBJECT: ISHAQ KHAN/AGHA SHAHI VISIT TO MOSCOW

REF: MOSCOW 6105

SUMMARY: PAKISTAN EMBOFF STATES THAT ISHAQ KHAN/  
AGHA SHAHI VISIT TO MOSCOW SUCCEEDED IN DRAWING  
SOVIET SUPPLEMENTARY AID FOR KARACHI STEEL MILL.  
HE DESCRIBES THIS AS ANOTHER POSITIVE SOVIET  
"GESTURE" TOWARD PAKISTAN, PERHAPS INDUCED BY SOVIET  
DESIRE TO MOLLIFY PAK CONCERNS OVER SOVIET INTENTIONS  
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IN AFGHANISTAN OR SOVIET CONCERNS ABOUT RECENT  
RIGHTWARD DRIFT IN MANY SOUTH ASIA COUNTRIES,  
INCLUDING PAKISTAN, INDIA, BANGLADESH AND SRI LANKA.  
END SUMMARY.

1. PAKISTAN EMBASSY MINISTER KAMAL GAVE EMBOFF  
FOLLOWING READOUT OF RECENT MOSCOW VISIT OF

PAKISTAN MINISTER OF FINANCE, PLANNING AND PROVINCIAL COORDINATION ISHAQ KHAN (ARRIVED JULY 23) AND MINISTER OF STATE FOR FOREIGN AFFAIRS AGHA SHAHI (ARRIVED JULY 26). BOTH DEPARTED MOSCOW ON JULY 28.

2. KAMAL STATED THAT KHAN NEGOTIATIONS CENTERED ON PAK NEED FOR SUPPLEMENTARY SOVIET FINANCING FOR THE SOVIET-AIDED KARACHI STEEL MILL. THE "EXTREMELY POOR" SITUATION OF THE PAK ECONOMY, KAMAL SAID, LED TO FINANCE MINISTRY DETERMINATION THAT ISLAMABAD CAN NO LONGER PROVIDE FUNDS FOR THE LOCAL COSTS OF THE PROJECT. DURING MOSCOW TALKS, SOVIETS AGREED TO SUPPLEMENTARY AID EQUIVALENT TO ABOUT TWO HUNDRED AND TWENTY MILLION DOLLARS, FORTY PERCENT IN DEBT RELIEF; FORTY PERCENT IN COMMERCIAL LOANS AT FIVE PERCENT INTEREST (KAMAL SAID SOVIETS USUALLY CHARGE SIX PERCENT IN THEIR COMMERCIAL LOANS) TO BE REPAID WITHIN SIX YEARS; AND TWENTY PERCENT TO BE DRAWN FROM UNUSED SOVIET CREDITS PROVIDED TO PAKISTAN IN THE PAST. HE CHARACTERIZED AS "IMPORTANT" SOVIETS AGREEMENT TO IMPORT PRODUCTION FROM STEEL MILL IN EXCESS OF PAKISTAN'S NEEDS, WHICH WOULD BE MARKED UP TOWARD REPAYMENT OF SOVIET LOANS.

3. KAMAL SAID AGHA SHAHI HELD SIX HOURS OF TALKS  
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WITH DEPUTY FOREIGN MINISTER YAKOV MALIK. SHAHI DID MOST OF THE TALKING, PRESENTING THE PAK PERSPECTIVE OF REGIONAL AND INTERNATIONAL ISSUES. MALIK LISTENED BUT WAS NON-COMMITTAL RE SOVIET POSITIONS OR INTENTIONS.

4. KAMAL SAID SOVIET AGREEMENT TO (A) ACCEDE TO FIRST PAK MINISTERIAL VISIT TO MOSCOW SINCE BHUTTO'S FALL, AND (B) PROVIDE SUPPLEMENTARY AID TO KARACHI STEEL MILL, CONSTITUTES FURTHER POSITIVE SOVIET "GESTURE" TOWARD PAKISTAN. HE DESCRIBED OTHER RECENT SOVIET "GESTURES" AS MARCH SOVIET-PAK TRADE ACCORD (REFTEL) AND SOVIET WILLINGNESS TO ASSIST WITH CONSTRUCTION OF A POWER PLANT (PRESUMABLY GUNDU THERMAL POWER STATION GENERATOR).

5. IN RESPONSE TO A QUESTION, KAMAL SPECULATED THAT SOVIET GESTURES COULD BE BASED ON MOSCOW'S GENERAL CONCERNS ABOUT THE RIGHTWARD DRIFT IN A NUMBER OF SOUTH ASIAN COUNTRIES, INCLUDING INDIA, PAKISTAN, BANGLADESH AND SRI LANKA. THIS CONCERN MAY BE REINFORCED BY THE GROWING ASSERTIVENESS IN THE

REGION OF CONSERVATIVE MUSLIM GROUPS, SUCH AS THE  
MUSLIM BROTHERHOOD. KAMAL REMARKED FURTHER THAT  
THE SOVIETS MAY CONSIDER THEIR GESTURE ON SUPPLE-  
MENTARY AID FOR THE STEEL MILL AS POSSIBLY MOLLIFYING  
PAK WORRIES REGARDING SOVIET INTENTIONS IN SOUTH  
ASIA FOLLOWING THE AFGHAN COUP. TOON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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